

Base Contract for Sale and Purchase of Natural Gas 30626

This Base Contract is entered into as of the following date: March 11, 2008.

The parties to this Base Contract are the following:

MERRILL LYNCH COMMODITIES, INC.
 20 East Greenway Plaza, Houston, TX 77046
 Duns Number: 16-035-2865
 Contract Number: N/A
 U.S. Federal Tax ID Number: 32-0122099

and **CITY OF LONG BEACH,**
 2400 East Spring Street, Long Beach, CA 90806
 Duns Number: 15-685-6254
 Contract Number: N/A
 U.S. Federal Tax ID Number: 95-6000733

Notices:

MERRILL LYNCH COMMODITIES, INC.
 Attn: Legal Department - Gas Contract Administration
 20 East Greenway Plaza, Houston, TX 77046
 Phone: (713) 544-5102 Fax: (713) 544-1411 or 5551

Notices:

CITY OF LONG BEACH
 Attn: Director, Gas & Oil Department
 2400 East Spring Street, Long Beach, CA 90806
 Phone: 562-570-2001 Fax: 562-570-2008

Confirmations:

MERRILL LYNCH COMMODITIES, INC.
 Attn: Confirmations
 20 East Greenway Plaza, Houston, TX 77046
 Phone: (713) 544-5563 Fax: (713) 544-1467

Confirmations:

CITY OF LONG BEACH
 Attn: Director, Gas & Oil Department
 2400 East Spring Street, Long Beach, CA 90806
 Phone: 562-570-2001 Fax: 562-570-2008

Invoices and Payments:

MERRILL LYNCH COMMODITIES, INC.
 Attn: Gas Accounting
 20 East Greenway Plaza, Houston, TX 77046
 Phone: (713) 544-5818 or 6043 Fax: (713) 544-1524, 1525 or 5299

Invoices and Payments:

CITY OF LONG BEACH,
 Attn: Director, Gas & Oil Department
 2400 East Spring Street, Long Beach, CA 90806
 Phone: 562-570-2001 Fax: 562-570-2008

Wire Transfer or ACH Numbers (if applicable):

BANK: JPMorgan Chase Bank, New York, NY
 ABA: 021-000-021
 ACCT: 323-009-980
 Other Details: Merrill Lynch Commodities, Inc.

Wire Transfer or ACH Numbers (if applicable):

BANK: Union Bank
 ABA: 122-000-496
 ACCT: 2740016582
 Other Details: Long Beach Cash Concentration

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. **Select only one box from each section:**

<p>Section 1.2 <input checked="" type="checkbox"/> Oral (default) Transaction Procedure <input type="checkbox"/> Written</p> <p>Section 2.5 <input type="checkbox"/> 2 Business Days after receipt (default) Confirm Deadline <input checked="" type="checkbox"/> 3 Business Days after receipt</p> <p>Section 2.6 <input type="checkbox"/> Seller (default) Confirming Party <input type="checkbox"/> Buyer <input checked="" type="checkbox"/> Merrill Lynch Commodities, Inc.</p> <p>Section 3.2 <input checked="" type="checkbox"/> Cover Standard (default) Performance Obligation <input type="checkbox"/> Spot Price Standard</p> <p><i>Note: The following Spot Price Publication applies to both of the immediately preceding.</i></p> <p>Section 2.26 <input checked="" type="checkbox"/> Gas Daily Midpoint (default) Spot Price Publication: <input type="checkbox"/></p> <p>Section 6. <input checked="" type="checkbox"/> Buyer Pays At and After Delivery Point (default) Taxes <input type="checkbox"/> Seller Pays Before and At Delivery Point</p> <p><input checked="" type="checkbox"/> Special Provisions: Number of sheets attached: <u>5</u></p> <p><input type="checkbox"/> Addendum(s): _____</p>	<p>Section 7.2 <input checked="" type="checkbox"/> 25th Day of Month following Month of delivery (default) Payment Date <input type="checkbox"/> Day of Month following Month of delivery</p> <p>Section 7.2 <input checked="" type="checkbox"/> Wire Transfer (WT) (default) Method of Payment <input type="checkbox"/> Automated Clearinghouse (ACH) <input type="checkbox"/> Check</p> <p>Section 7.7 <input checked="" type="checkbox"/> Netting applies (default) Netting <input type="checkbox"/> Netting does not apply</p> <p>Section 10.3.1 <input checked="" type="checkbox"/> Early Termination Damages Apply (default) Early Termination Damages <input type="checkbox"/> Early Termination Damages Do Not Apply</p> <p>Section 10.3.2 <input checked="" type="checkbox"/> Other Agreement Setoffs Apply (default) Other Agreement Setoffs <input type="checkbox"/> Other Agreement Setoffs Do Not Apply</p> <p>Section 14.5 <u>New York</u> Choice of Law:</p> <p>Section 14.10 <input checked="" type="checkbox"/> Confidentiality applies (default) Confidentiality <input type="checkbox"/> Confidentiality does not apply</p>
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IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

Party Name: MERRILL LYNCH COMMODITIES, INC.
 By: [Signature]
 Name: Dennis Albrecht
 Title: Managing Director
 Date: March 11, 2008

Party Name: CITY OF LONG BEACH
 By: [Signature]
 Name: PATRICK H. WEST Assistant City Manager
 Title: CITY MANAGER
 Date: 4/16/08

Contract Admin	mfb	Date	3-11-08
Attorney	KLF	Date	3-11-08
Credit	pro	Date	3/12/08

EXECUTED PURSUANT TO SECTION 3.01 OF THE CITY CHARTER.

General Terms and Conditions

Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.7.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, nothing herein shall be construed as a waiver of any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

2.2. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.

2.3. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).

- 2.4. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.
- 2.5. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.6. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.7. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation.
- 2.8. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.9. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.10. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.11. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, a performance bond, guaranty, or other good and sufficient security of a continuing nature.
- 2.12. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.13. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.14. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.15. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.16. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.17. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.18. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.
- 2.19. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.20. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.
- 2.21. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.22. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.
- 2.23. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.
- 2.24. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.
- 2.25. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.
- 2.26. "Spot Price" as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average

of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.27. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.

2.28. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.

2.29. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the sole and exclusive remedy of the performing party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer, provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 14.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount and for the term reasonably acceptable to X, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a performance bond or guaranty (including the issuer of any such security).

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; or (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law or that are, in the reasonable opinion of the Non-Defaulting Party, commercially impracticable to liquidate and terminate ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is reasonably practicable, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff (i) any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract; or (ii) any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the parties.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the

date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6 and Section 10, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MISCELLANEOUS

14.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

14.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

14.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

14.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

14.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

14.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

14.7. There is no third party beneficiary to this Contract.

14.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

14.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

14.10. Unless the parties have elected on the Base Contract not to make this Section 14.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, or (iv) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

14.11. The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.**

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

EXHIBIT A

Letterhead/Logo	Date: _____, ____ Transaction Confirmation #: _____			
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.				
SELLER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____			
Contract Price: \$ _____/MMBtu or _____				
Delivery Period: Begin: _____, ____ End: _____, ____				
Performance Obligation and Contract Quantity: (Select One) <table style="width:100%; border: none;"> <tr> <td style="width:33%; vertical-align: top;"> Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP </td> <td style="width:33%; vertical-align: top;"> Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller </td> <td style="width:33%; vertical-align: top;"> Interruptible: Up to _____ MMBtus/day </td> </tr> </table>		Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day
Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day		
Delivery Point(s): _____ (If a pooling point is used, list a specific geographic and pipeline location):				
Special Conditions: _____ _____				
Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____			

**SPECIAL PROVISIONS
FOR THE BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS**

Special Provisions ("Special Provisions") attached to and forming a part of the April 19, 2002 version of the NAESB Standard 6.3.1 Base Contract for Sale and Purchase of Natural Gas dated March 11, 2008 (collectively, the "Base Contract") (as defined in Section 2.2) by and between: **MERRILL LYNCH COMMODITIES, INC. ("MLCI")** and **CITY OF LONG BEACH ("Counterparty")**.

Capitalized terms used in these Special Provisions shall have the meanings ascribed to them in the Base Contract. Section references in these Special Provisions refer to a Section of the General Terms and Conditions of the Base Contract, unless stated otherwise.

SECTION 1. PURPOSES AND PROCEDURES

1.2 Section 1.2 is amended as follows:

(a) The second sentence of Section 1.2 of the Oral Transaction Procedure is deleted in its entirety.

(b) The third sentence of Section 1.2 of the Oral Transaction Procedure is replaced in its entirety with the following:

"The parties shall be legally bound from the time they agree to the transaction terms of a gas purchase and sale transaction (whether orally, electronically or otherwise) and may each rely thereon."

1.3 The last sentence of Section 1.3 shall be deleted and the following substituted therefor:

"The entire agreement between the parties shall be the Contract (as defined in Section 2.7). In the event of any conflict among the terms of (i) a Transaction Confirmation which has been executed by both parties or is deemed accepted; (ii) the agreement of the parties that may be evidenced by a recorded conversation, electronic transmission or otherwise; (iii) these Special Provisions (as amended, if applicable); and (iv) the Base Contract's General Terms and Conditions (as amended, if applicable), the terms of the documents shall govern in the priority listed above."

Delete Section 1.4 in its entirety and replace with the following:

1.4 Each party consents to the recording of conversations by its employees which occur while discussing or entering into Transactions under this Base Contract. In the event of a dispute concerning a Transaction, the parties agree, upon request, to share any and all tape recordings of conversations, emails instant messages and the like between them related to the Transaction.

The parties may not knowingly destroy or erase tape recordings or conversations, emails, instant messages and the like if parties become aware of an actual dispute in which the recording may reasonably be anticipated to be discoverable.

SECTION 2. DEFINITIONS

Delete Section 2.4 in its entirety and replace with the following:

2.4 "**Business Day**" means any day except a Saturday, Sunday, or a Federal Reserve Bank holiday. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant party's principal place of business. The relevant party, in each instance unless otherwise specified, shall be the party from whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received.

Replace the definition of "Contract" in Section 2.7 with the following:

2.7 "**Contract**" shall mean the legally binding relationship established by (i) the Base Contract (as amended, if applicable), (ii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into (orally, electronically or otherwise), (iii) these Special Provisions (as amended, if applicable), and (iv) the provisions contained in any effective Transaction Confirmation.

2.10 Amend the definition of "Cover Standard" in Section 2.10 as follows:

Strike parenthetical expression in clause (i).

2.11 Amend the definition of "Credit Support Obligation(s)" in Section 2.11 by deleting the phrase "a performance bond" in the last line.

The following Sections shall be added to Section 2:

2.30 "**Adequate Assurance of Performance**" herein shall mean sufficient collateral in the form, amount and for the term reasonably acceptable to the Demanding Party, including, but not limited to, cash, Letters of Credit, or other security acceptable to the Demanding Party.

2.31 "**Credit Rating**" means, with respect to any entity, the lower of the respective rating then assigned to: (1) such entity's unsecured, senior long-term debt obligations (not supported by third party credit enhancements); or (2) such entity as an issuer or corporate rating, each as assigned by either S&P, Moody's or any other rating agency agreed by the parties.

2.32 "**Credit Support Provider**" means a party's guarantor (who has provided the other party a guaranty for payment in connection with this Contract); for MLCI, Merrill Lynch & Co., Inc. and for Counterparty, not applicable.

2.33 "**Letter(s) of Credit**" means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a credit rating of at least A- from S&P or A3 from Moody's, in a form acceptable to the party in whose favor the letter of credit is issued. Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit.

2.34 "**Moody's**" means Moody's Investor Services, Inc. or its successor.

2.35 "**S&P**" means the Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor.

2.36 "**Transaction(s)**" means a particular transaction or transactions memorialized pursuant to Section 1.

SECTION 6. TAXES

For paragraphs "Buyer Pays At and After Delivery Point" and "Seller Pays Before and At Delivery Point" the following shall be added to the end of the second sentence:

" , including, but not limited to Taxes generated as a direct result of the Transaction or the result of the use of the Gas by the Buyer. Notwithstanding the foregoing, the parties agree that Taxes payable by the Buyer include, without limitation, sales taxes, sales taxes drawn as privilege taxes or occupation taxes, gross receipts taxes, public utility fees and taxes, and other taxes, as may be enacted from time to time that are connected to the sale and purchase of Gas between the parties. Taxes payable under this Base Contract specifically exclude Buyer's and Seller's federal, state or local income taxes."

SECTION 7. BILLING, PAYMENT AND AUDIT

Delete Section 7.3 in its entirety and replace with the following:

7.3 If a party is liable for damages under Section 3.2 or 3.3 (the "**Non-Performing Party**"), the other party (the "**Performing Party**") may accelerate the payment related to the non-performance by sending to the Non-Performing Party an invoice (an "**Accelerated Payment Invoice**") for such amount setting forth the calculation thereof and a statement that pursuant to this Section 7.3 such amount is due in three (3) Business Days. If the Performing Party does not deliver an Accelerated Payment Invoice, amounts payable pursuant to Section 3.2 shall be invoiced and payable in accordance with Sections 7.1 and 7.2. Netting shall not apply to any accelerated payment obligation; provided, however, that the party due payment under an Accelerated Payment Invoice may net all sums due thereunder against any amounts payable by it when making payments under Section 7. Notwithstanding Section 7.2, the Non-Performing Party shall pay when invoiced any undisputed amounts regarding any payment required to be made under this Section 7.3, subject to payment of any amounts underpaid with interest at the rate provided in Section 7.5 in the event that the dispute is resolved in favor of the Performing Party.

Add the following to Section 7:

7.8 **Automated Clearinghouse (ACH):** If elected in Section 7.2, the parties hereby acknowledge that ACH is an acceptable method of payment between the parties. However, the party utilizing ACH for payment shall make full amount payments immediately available to the receiving party, as stipulated in Section 7.2, by the Payment Date under this Base Contract. The parties also acknowledge that all undisputed unpaid full or portion payment amounts not immediately available to the receiving party on the Payment Date will be considered past due and are subject to interest as stipulated under Section 7.5 under this Base Contract.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1 Section 8.1 shall be amended as follows:

(a) on the third line, add the word "assume" after the word "and"; and

(b) in the last sentence, insert the words "at and" between "Gas" and "after".

SECTION 9. NOTICES

The fifth sentence of Section 9.3 shall be deleted and the following substituted therefor:

Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party, unless the noticing party has used a 2-day or 3-day courier service, in which case the notice shall be deemed received on the second Business Day or third Business Day respectively.

Add the following as Section 9.4:

9.4 The parties agree and acknowledge that attached hereto as **Schedule A** and incorporated herein by reference, is a company information sheet to provide contact information for any requisite notice requirement.

SECTION 10. FINANCIAL RESPONSIBILITY

Section 10.1 of the NAESB is deleted in its entirety and replaced with the following:

10.1 CREDIT PROTECTION.

(a) **Financial Information.** To the extent not available freely over the internet from sources such as EDGAR, or in the case of Merrill Lynch & Co., Inc., www.ml.com, either party may reasonably request from the other party annual reports containing audited consolidated financial statements for a particular fiscal year. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as the party providing the information diligently pursues the preparation, certification and delivery of the statements.

(b) **Adequate Assurance of Performance.** If either party has reasonable grounds to believe that the creditworthiness or performance of the other party under this Contract has become unsatisfactory, then such party (the "Demanding Party") shall provide to the other party (the "Non-Demanding Party"), with written notice requesting for Adequate Assurance of Performance in an amount determined by the Demanding Party in a commercially reasonable manner, provided such notice is received on a Business Day by 1:00 p.m. Eastern Prevailing Time ("EPT"). Upon receipt of such notice, the Non-Demanding Party shall have one (1) Business Day to provide such Adequate Assurance of Performance to the Demanding Party. If notice is received on a Business Day after 1:00 p.m. EPT, the Non-Demanding Party shall have two (2) Business Days to provide Adequate Assurance of Performance. For the purpose of this section, a Business Day shall be from 8:00 a.m. to 5:00 p.m. EPT on any day which the Non-Demanding Party is ordinarily open for business.

(c) **Adequate Assurance of Performance.** All Adequate Assurance of Performance in the form of cash that is held by a party pursuant to this Section 10 shall bear interest at the Adequate Assurance of Performance Interest Rate.

(i) **Distribution of Interest on Adequate Assurance of Performance.**

The "Adequate Assurance of Performance Interest Rate" will be the lesser of (i) the maximum amount allowed by applicable law; or (ii) for any day, the "Federal Funds Effective" rate in effect for such day, as published in the most recent weekly statistical released designed as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

(ii) **Payment of Adequate Assurance of Performance Interest.**

The demanding party will pay the Adequate Assurance of Performance interest amount ("Adequate Assurance of Performance Interest Amount") on (i) the first Business Day of each calendar month or (ii) the same Business Day or the next Business Day that Adequate Assurance of Performance in the form of cash is returned to the posting party.

(d) **Downgrade Event.** If at any time there shall occur a Downgrade Event in respect of a party then the demanding party may require the party subject to the Downgrade Event to provide Performance Assurance in an amount determined by the demanding party in a commercially reasonable manner. "Downgrade Event" means the Credit Rating for any party under this contract or such party's Credit Support Provider, whichever is applicable, falls below **BBB-** from S&P or **Baa3** from Moody's or is not rated by both S&P and Moody's.

(i) In the event the party subject to the Downgrade Event shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to the demanding party within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and the demanding party will be entitled to the remedies set forth in Section 10.

(e) **Collateral Threshold.** In addition to the rights in 5.1 above, if at any time and from time to time during the term of a Confirmation (and notwithstanding whether an Event of Default has occurred), the payment owed to a party at the time of termination ("Termination Payment"), as calculated in Section 10.3.1 of the NAESB, if any, exceeds the Collateral Threshold of the other party, then the Demanding Party, on any Business Day, may, at its sole discretion, require that the other party provide Adequate Assurance of Performance in an amount equal to the amount by which the Termination Payment, if

any, exceeds the Collateral Threshold of the other party (rounded up to the next integral multiple of \$250,000), less any Adequate Assurance of Performance already posted with the Demanding Party.

Collateral Threshold Requirements.

(i) **Counterparty:**

1. zero if an Event of Default or Potential Event of Default with respect to a party has occurred and is continuing; or
2. he amount specified below opposite the lowest Credit Rating as between S&P and Moody's held by MLCI's Credit Support Provider:]

Threshold Amount	CREDIT RATING	
	S&P	MOODY'S
\$30,000,000	AAA	Aaa
\$25,000,000	AA+, AA, AA-	Aa1, Aa2, Aa3
\$20,000,000	A+, A, A-	A1, A2, A3
\$10,000,000	BBB+	Baa1
\$ 5,000,000	BBB	Baa2
\$0	BBB-, lower or unrated	Baa3, lower or unrated

(ii) **MLCI:**

1. zero if an Event of Default or Potential Event of Default with respect to a party has occurred and is continuing; or
2. The lower of the:
 - (i) Guaranty amount; or
 - (ii) the amount specified below opposite the lowest Credit Rating as between S&P and Moody's held by MLCI's Credit Support Provider:

Threshold Amount	CREDIT RATING	
	S&P	MOODY'S
\$50,000,000	AAA	Aaa
\$40,000,000	AA+, AA, AA-	Aa1, Aa2, Aa3
\$30,000,000	A+, A, A-	A1, A2, A3
\$20,000,000	BBB+	Baa1
\$10,000,000	BBB	Baa2
\$ 5,000,000	BBB-	Baa3
\$0	BB+, lower or unrated	Baa1, lower or unrated

(f) **Guaranty.** Upon Counterparty's request, MLCI's Credit Support Provider shall deliver a guaranty for this Contract in an amount acceptable to and in a form reasonably acceptable to Counterparty.

Delete Section 10.2 in its entirety and replace with the following:

10.2 Event of Default. If an Event of Default (as defined in this section below) has occurred or is continuing with respect to a party (the "Defaulting Party", then the party other than the Defaulting Party being the "Non-Defaulting Party"), shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the Transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder. "Event of Default" shall mean:

(a) the occurrence of a Bankruptcy Event (as defined in this Section) with respect to such party. "Bankruptcy Event" with respect to a party means the occurrence of any of the following events with respect to such party or any Credit Support Provider for such party:

- (i) makes an assignment or any general arrangement for the benefit of creditors;
- (ii) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or case under any bankruptcy, insolvency, reorganization or similar law for the protection of creditors, or has any such petition filed or proceeding commenced against it;
- (iii) otherwise becomes bankrupt or insolvent (however evidenced);
- (iv) be unable to pay its debts as they fall due;

(v) has a receiver, provisional liquidator, conservator, custodian, trustee, administrator or other similar official appointed with respect to it or any substantial portion of its assets;

(b) any representation or warranty given by such party or any Credit Support Provider for such party shall prove to have been false or misleading in any material respect when made;

(c) the failure by such party to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract;

(d) the failure by such party to give Adequate Assurance of Performance under Section 10.1;

(e) the failure by such party to make when due any payment required under Section 7.3 in respect of an accelerated payment invoice;

(f) the failure to pay any undisputed amounts under Section 7.1 and Section 7.2 and such failure is not cured within two (2) Business Days after notice;

(g) the failure to perform any other obligation in this Base Contract and such failure is not excused or cured within five (5) Business Days after written Notice thereof;

(h) **Cross Default.** The occurrence or existence of (1) a default, Event of Default or other similar condition or event (however described) in respect of such party or any Credit Support Provider of such party under one or more agreements or instruments relating to an obligation(s) in an aggregate amount of not less than the applicable Cross Default Threshold Amount (as specified below) which has resulted in such obligation(s) becoming due and payable under such agreements or instruments before it would otherwise have been due and payable or (2) a default by such party or such Credit Support Provider (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period).

Cross Default Threshold Amount

CREDIT SUPPORT PROVIDERS	CROSS DEFAULT
Merrill Lynch & Co., Inc.	\$50,000,000
Counterparty	\$50,000,000

10.3 Add the following to the end of the second sentence in Section 10.3:

“provided, however, upon the occurrence of any Event of Default consisting of a Bankruptcy Event, all Transactions pursuant to this Contract shall automatically terminate, without notice, and without any other action by either party as if a payment due date had been declared immediately prior to such event; however, the Non-Defaulting Party may determine that automatic termination shall not apply.”

10.4 Add the following to Section 10.4 as subsection 10.4.1:

10.4.1 **Net Settlement Amount Disputes.** The Defaulting Party must provide written notice of any objection to the Net Settlement Amount calculation within two (2) Business Days after receipt of Notice from the Non-Defaulting Party. If written objections are provided, the parties will negotiate in good faith to agree on the Net Settlement Amount prior to the payment due date; *provided, however,* that if the Net Settlement Amount is due from the Defaulting Party, the Defaulting Party shall first transfer collateral (of a type and in a form acceptable to the Non-Defaulting Party) to the Non-Defaulting Party in an amount equal to the Net Settlement Amount calculated by the Non-Defaulting Party. The calculation of the Net Settlement Amount describes a reasonable pre-estimate of the loss suffered by the Non-Defaulting Party and is not intended as a penalty.

10.5 Delete Section 10.5 in its entirety and replace with the following:

“10.5 The Base Contract and Transaction(s) hereunder constitute a “qualified financial contract” as that term is defined in N.Y.G.O.L. §5-701(b)(2) and a “forward contract” as defined in §101(25) of the United States Bankruptcy Code. The parties hereto agree that Buyer and Seller are each “forward contract merchants” as defined within the United States Bankruptcy Code.”

SECTION 11. FORCE MAJEURE:

11.2(iv) The subsection (iv) of Section 11.2 shall be deleted and replaced with the following:

“(iv) acts of others such as terrorist attacks, strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and”

Add the following sentence to the end of Section 11.2:

“However, if an event or occurrence of Force Majeure is expected and or anticipated to last for at least fifty percent (50%) of the term of the Transaction, then both parties agree that the non-affected party shall have the right to terminate the Transaction and such termination will not constitute a failure to perform under Section 3 or an Event of Default under Section 10. To the extent parties performed their obligations prior to the termination of the Transaction by the non-affected party, the parties’ payment obligations for the terminated Transaction under Section 7 shall apply.”

Section 11.3 is amended as follows:

(a) delete Section 11.3(i) in its entirety and replace it with the following:

“(i) the loss, interruption or curtailment of interruptible or secondary Firm transportation, on any transporter necessary to effect receipt or delivery of Gas hereunder unless primary, in-path, Firm transportation is also lost, interrupted or curtailed, and then only to the extent of such loss, interruption or curtailment on the affected pipeline segment;”

(b) replace “; or (iii)” with “; (iii);”;

(c) replace “; or (v)” with “; (v);”;

(d) at the end of Section 11.3(v), replace the “.” with “;” and

(e) add the following sections at the end of the second to last sentence of Section 11.3:

“(vi) increases or decreases in natural gas supply due to allocation or reallocation of production by producers, well operators, or other parties controlling production or well operation (except for an allocation or reallocation of production pursuant to a governmental order); or (vii) failure of specific, individual wells or appurtenant facilities in the absence of a Force Majeure event broadly affecting other wells in the same geographic area.”

Add the following to Section 11:

11.7 The party claiming Force Majeure as an excuse for performance shall provide the other party a good faith estimate of the duration of the Force Majeure so that the other party may make alternative arrangements and shall provide the other party documentation of proof of the cause for Force Majeure (if such proof is reasonably available).

SECTION 14. MISCELLANEOUS:

Section 14.1 shall be amended by adding the following after the word “party” in Section 14.1(ii):

“provided, however, that such transfer or assignment is to an entity whose creditworthiness is equal to or better than that of the transferor.”

Add the following to the end of Section 14.5:

“EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION, CLAIM OR PROCEEDING RELATING TO THIS BASE CONTRACT.”

Delete Section 14.8 in its entirety and replace with the following:

14.8 On the date of this Base Contract and the date of entering into each Transaction, each party represents and warrants to the other party that: (i) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and is qualified to conduct its business in each jurisdiction in which a Transaction will be performed by it; (ii) it has all regulatory authorizations necessary for it to legally enter into and perform its obligations under this Base Contract; (iii) the execution, delivery and performance of this Base Contract are within its powers, have been duly authorized by all necessary action and do not violate any terms and conditions in its governing documents, any contracts to which it is a party or any law applicable to it; (iv) each Transaction when entered into in accordance with this Base Contract constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, subject to any equitable defenses; (v) there are no bankruptcy proceedings pending or being contemplated by it or, to its knowledge, threatened against it; (vi) there are no legal proceedings that materially adversely affect its ability to perform its obligations under this Base Contract; (vii) it has knowledge and experience in financial matters and the gas industry that enable it to evaluate the merits and risks of entering into this Base Contract; and (viii) it is entering into this Base Contract as a principal and not as an agent for any party.

The following Sections shall be added:

14.12 Index Transactions: If the parties enter into a Gas Transaction in which any or all of the pricing component is based on a pricing index, the following shall apply:

(a) **Market Disruption.** If a Market Disruption Event has occurred and is continuing during the Determination Period, the parties shall negotiate in good faith to agree on a Floating Price (or a method for determining a Floating Price), and if the parties have not so agreed on or before the fifth Business Day following the first Trading Day on which the Market Disruption Event occurred or existed, then the Floating Price shall be determined with each party obtaining in good faith a quote from a leading dealer in the relevant market and averaging the two quotes.

(i) "**Determination Period**" means each calendar month during the term of the relevant Transaction; provided that if the term of the Transaction is less than one calendar month the Determination Period shall be the term of the Transaction.

(ii) "**Floating Price**" means the price specified in the Transaction as being based upon a specified index.

(iii) "**Market Disruption Event**" means, with respect to an index, any of the following events: (a) the failure of the index to announce or publish information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading in the relevant options contract or commodity on the exchange or market acting as the index; (c) the temporary or permanent discontinuance or unavailability of the index; (d) the temporary or permanent closing of any exchange acting as the index; or (e) a material change in the formula for or the method of determining the Floating Price.

(iv) "**Trading Day**" means a day in respect of which the relevant price source published the relevant price.

(b) **Corrections to Published Prices.** For purposes of determining the relevant prices for any day, if the price published or announced on a given day and used or to be used to determine a relevant price is corrected no later than 30 days of the original publication and the correction is published or announced by the person responsible for that publication or announcement, either party may notify the other party of (i) that correction and (ii) the amount (if any) that is payable as a result of that correction. If a party gives notice that an amount is so payable, the party that originally either received or retained such amount will, not later than three (3) Business Days after the effectiveness of that notice, pay, subject to any applicable conditions precedent, to the other party that amount, together with interest at the Interest Rate for the period from and including the day on which payment originally was (or was not) made to but excluding the day of payment of the refund or payment resulting from that correction.

(c) **Calculation of Floating Price.** For the purposes of the calculation of a Floating Price, all numbers shall be rounded to three (3) decimal places. If the fourth (4th) decimal number is five (5) or greater, then the third (3rd) decimal number shall be increased by one (1), and if the fourth (4th) decimal number is less than five (5), then the third (3rd) decimal number shall remain unchanged.

[END OF THE SPECIAL PROVISIONS TO THE BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS]

IN WITNESS WHEREOF, the parties have executed these Special Provisions to supplement and, where applicable to modify and supersede the Base Contract between the parties.

MERRILL LYNCH COMMODITIES, INC.

By: *Dennis Albrecht*
 Name: Dennis Albrecht
 Title: Managing Director
 Date: March 11, 2008

CITY OF LONG BEACH

By: *Patrick H. West* Assistant City Manager
 Name: PATRICK H. WEST
 Title: CITY MANAGER
 Date: 4/21/08

Contract Admin	<u>MPB</u>	Date	<u>3-11-08</u>
Attorney	<u>KCF</u>	Date	<u>3-11-08</u>
Credit	<u>RB</u>	Date	<u>3/12/08</u>

APPROVED AS TO FORM AND RETURNED

4-10 2008
 ROBERT E. SHANNON, City Attorney
 By: *Richard Anthony*
 RICHARD ANTHONY
 DEPUTY CITY ATTORNEY

SCHEDULE A
TO THE SPECIAL PROVISIONS
FOR THE BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS

MERRILL LYNCH COMMODITIES, INC.

Federal ID Number: 32-0122099
Duns #: 16-035-2865
Category: Marketer
State of Incorporation: Delaware

Notices:

Address: 20 E. Greenway Plaza
Houston, Texas 77046-2002
Attn: Legal Department – Gas Contract Administration
Phone: 713-544-5102 Facsimile: 713-544-1411 or 5551

Physical Gas Inquiries:

Attn: Scheduling Desk
Phone: 713-544-6013 Facsimile: 713-544-5959

Confirmations:

Attn: Confirmations
Phone: 713-544-5563 Facsimile: 713-544-1467

Invoices:

Attn: Gas Accounting
Phone: 713-544-5818 or 713-544-6043
Facsimile: 713-544-1525 713-544-1524 or 713-544-5299
Address: 20 E. Greenway Plaza
Houston, Texas 77046-2002

Payments:

Attn: Gas Accounting
Phone: 713-544-5818 or 713-544-6043
Facsimile: 713-544-1525 713-544-1524 or 713-544-5299
Address: 20 E. Greenway Plaza
Houston, Texas 77046-2002

Wire Transfer:

Bank: JPMorgan Chase Bank, New York, NY
ABA: 021-000-021
Account: 323-009-980

Credit and Collections:

Attn: Credit Department
Phone: 713-544-4394 713-544-5691
Facsimile: 713-544-1443

With additional Notices of an Event of Default or Potential Event of Default to:

Attn: Legal Department
Phone: 713-544-5462 Facsimile: 713-544-5551

Tax:

Attn: Sandra Tapia Teresita Gaona
Phone: 713-544-5916 713-544-5664
Facsimile: 713-544-7435
Address: 20 E. Greenway Plaza
Houston, Texas 77046-2002

CITY OF LONG BEACH

Federal ID Number: 95-6000733
Duns #: 15-685-6254
Category: Utility
State of Incorporation: California

Notices:

Address: 2400 East Spring Street
Long Beach, CA 90806
Attn: Director, Gas & Oil Department
Phone: 562-570-2001 Facsimile: 562-570-2008

Physical Gas Inquiries:

Attn: Director, Gas & Oil Department
Phone: 562-570-2001 Facsimile: 562-570-2008

Confirmations:

Attn: Director, Gas & Oil Department
Phone: 562-570-2001 Facsimile: 562-570-2008

Invoices:

Attn: Director, Gas & Oil Department
Phone: 562-570-2001
Facsimile: 562-570-2008
Address: 2400 East Spring Street
Long Beach, CA 90806

Payments:

Attn: Director, Gas & Oil Department
Phone: 562-570-2001
Facsimile: 562-570-2008
Address: 2400 East Spring Street
Long Beach, CA 90806

Wire Transfer:

Bank: Union Bank of California
ABA: 122-000-496
Account: 2740016582

Credit and Collections:

Attn: Director, Gas & Oil Department
Phone: 562-570-2001
Facsimile: 562-570-2008

With additional Notices of an Event of Default or Potential Event of Default to:

Attn: Director, Gas & Oil Department
Phone: 562-570-2001 Facsimile: 562-570-2008

Tax:

Attn: Director, Gas & Oil Department
Phone: 562-570-2001
Facsimile: 562-570-2008
Address: 2400 East Spring Street
Long Beach, CA 90806

GUARANTEE OF MERRILL LYNCH & CO., INC.

FOR VALUE RECEIVED, receipt of which is hereby acknowledged, **MERRILL LYNCH & CO., INC.**, a corporation duly organized and existing under the laws of the State of Delaware ("ML & CO."), hereby unconditionally guarantees to **City of Long Beach** (the "Company"), the due and punctual payment of any and all amounts payable by **Merrill Lynch Commodities, Inc.**, a corporation organized under the laws of the State of Delaware ("MLCI"), its successors and permitted assigns, to the extent such successors or permitted assigns are direct or indirect subsidiaries of ML & Co., under the terms of the **Base Contract for Sale and Purchase of Natural (NAESB)** between the Company and MLCI, dated as of **March 11, 2008** (the "Agreement"), including, in case of default, interest on any amount due, when and as the same shall become due and payable, whether on the scheduled payment dates, at maturity, upon declaration of termination or otherwise, according to the terms thereof. In case of the failure of MLCI punctually to make any such payment, ML & Co. hereby agrees to make such payment, or cause such payment to be made, promptly upon demand made by the Company to ML & Co.; provided, however that delay by the Company in giving such demand shall in no event affect ML & Co.'s obligations under this Guarantee. This Guarantee shall remain in full force and effect or shall be reinstated (as the case may be) if at any time any payment guaranteed hereunder, in whole or in part, is rescinded or must otherwise be returned by the Company upon the insolvency, bankruptcy or reorganization of MLCI or otherwise, all as though such payment had not been made.

ML & Co. hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Agreement; the absence of any action to enforce the same; any waiver or consent by the Company concerning any provisions thereof; the rendering of any judgment against MLCI or any action to enforce the same; or any other circumstances that might otherwise constitute a legal or equitable discharge of a guarantor or a defense of a guarantor. ML & Co. covenants that this guarantee will not be discharged except by complete payment of the amounts payable under the Agreement. This Guarantee shall continue to be effective if MLCI merges or consolidates with or into another entity, loses its separate legal identity or ceases to exist.

ML & Co. hereby waives diligence; presentment; protest; notice of protest, acceleration, and dishonor; filing of claims with a court in the event of insolvency or bankruptcy of MLCI; all demands whatsoever, except as noted in the first paragraph hereof; and any right to require a proceeding first against MLCI.

ML & Co. hereby certifies and warrants that this Guarantee constitutes the valid obligation of ML & Co. and complies with all applicable laws. This Guarantee guarantees only payment obligations of MLCI and does not guarantee the performance of any other obligations of, including, but not limited to, physical delivery or, to the extent applicable, reporting obligations of MLCI. This Guarantee constitutes a guarantee of payment and not of collection.

This Guarantee shall be governed by, and construed in accordance with, the laws of the State of New York.

This Guarantee may be terminated at any time by notice by ML&Co. to the Company given in accordance with the notice provisions of the Agreement, effective upon receipt of such notice by the Company or such later date as may be specified in such notice; provided, however, that this Guarantee shall continue in full force and effect, and shall be irrevocable, with respect to any payment obligation of MLCI under the Agreement entered into prior to the effectiveness of such notice of termination.

This Guarantee becomes effective concurrent with the effectiveness of the Agreement, according to its terms.

IN WITNESS WHEREOF, ML & Co. has caused this Guarantee to be executed in its corporate name by its duly authorized representative.

MERRILL LYNCH & CO., INC.

By: 

Name: Patricia Kropiewnicki

Title: Designated Signatory

Date: March 13, 2008